

House File 696

HOUSE FILE _____
BY GIPP and MYERS

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the payment of taxes and payment of financial
2 consideration on a contractual basis to the state from
3 adjusted gross receipts from gambling games at racetrack
4 enclosures and providing an effective date.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 3537HH 80
7 ec/cf/24

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1 1 Section 1. NEW SECTION. 99F.4C GAMBLING GAMES AT PARI=
1 2 MUTUEL RACETRACKS == OPERATING AGREEMENT.
1 3 1. The commission shall offer each licensee authorized to
1 4 conduct, and conducting, gambling games at a pari=mutuel
1 5 racetrack enclosure the opportunity to enter into an operating
1 6 agreement pursuant to the requirements of this section which
1 7 offer shall be extended to each licensee for a period of time
1 8 no longer than ten days from the effective date of this Act.
1 9 2. The operating agreement offered to each licensee shall
1 10 provide for all of the following:
1 11 a. The agreement shall be binding on any successors and
1 12 assigns of a licensee entering into an agreement pursuant to
1 13 this section.
1 14 b. The agreement shall provide that the licensee shall
1 15 comply with all statutory and administrative requirements
1 16 otherwise applicable to licensees who are authorized to
1 17 conduct gambling games at a pari=mutuel racetrack enclosure.
1 18 c. The term of the agreement shall be for a period of five
1 19 years with an option, at the discretion of the licensee, to
1 20 renew the agreement for an additional five years, subject to
1 21 earlier termination of the agreement if a referendum required
1 22 pursuant to section 99F.7, subsection 10, does not approve
1 23 continued operation of gambling games.
1 24 d. The agreement shall provide for payment by the licensee
1 25 of operating agreement consideration to the commission on a
1 26 weekly basis based upon the adjusted gross receipts from
1 27 gambling games at the licensee's racetrack enclosure to be
1 28 calculated as provided in section 99F.4D. In addition, the
1 29 agreement shall provide for the payment, by June 30, 2003, of
1 30 an initial operating agreement consideration to the commission
1 31 by a licensee of an amount equal to ten percent on any amount
1 32 of adjusted gross receipts received by the licensee for the
1 33 fiscal year beginning July 1, 2002, over three million
1 34 dollars.
1 35 e. If the licensee breaches the agreement, the agreement
2 1 shall be terminated following written notice mailed to the
2 2 licensee by the commission and opportunity to cure the breach
2 3 within a reasonable period of time.
2 4 f. (1) The licensee shall agree to waive any right to a
2 5 refund of any taxes collected pursuant to section 99F.11 if
2 6 such refund is ultimately deemed owing pursuant to the final
2 7 decision in the litigation entitled Racing Association of
2 8 Central Iowa v. Fitzgerald, and which is cited at 648 N.W.2d
2 9 555 (Iowa 2002).
2 10 (2) The payment of an initial operating agreement
2 11 consideration by June 30, 2003, by a licensee shall be deemed
2 12 in full satisfaction of any additional tax owed by such
2 13 licensee pursuant to section 99F.11 if such additional tax is
2 14 ultimately deemed owing pursuant to the final decision in the
2 15 litigation entitled Racing Association of Central Iowa v.
2 16 Fitzgerald, and which is cited at 648 N.W.2d 555 (Iowa 2002).
2 17 g. The consideration received by the commission pursuant
2 18 to the agreement shall be in lieu of all taxes imposed on the
2 19 licensee under section 99F.11 on account of adjusted gross
2 20 receipts from gambling games at the licensee's racetrack
2 21 enclosure and the provisions of section 99F.4A, subsection 6,
2 22 and section 99F.11 are not applicable to the licensee.

2 23 Consideration received by the commission shall be immediately
2 24 paid by the commission to the treasurer of state and
2 25 distributed in the same manner as taxes collected pursuant to
2 26 section 99F.11, including the applicable provisions of section
2 27 8.57 and section 99E.10, subsection 3.

2 28 h. The operating agreement as to a licensee shall not
2 29 become effective until each licensee receiving an offer to
2 30 enter into an agreement pursuant to this section has entered
2 31 into such an agreement.

2 32 3. Except as specifically provided by this section, an
2 33 operating agreement entered into with a licensee pursuant to
2 34 the requirements of this section shall not supersede or modify
2 35 any other provision of law governing licensees of gambling
3 1 games at a pari-mutuel racetrack enclosure, including, but not
3 2 limited to, any provision of law restricting the types of
3 3 gambling games that can be conducted by licensees.

3 4 Sec. 2. NEW SECTION. 99F.4D GAMBLING GAMES AT PARI=
3 5 MUTUEL RACETRACKS == OPERATING AGREEMENT CONSIDERATION.

3 6 1. For purposes of this section:

3 7 a. "Adjusted receipts amount" means the total amount of
3 8 the adjusted gross receipts tax collected by the treasurer of
3 9 state pursuant to section 99F.11 and operating agreement
3 10 consideration that would be collected by the commission on
3 11 adjusted gross receipts over three million dollars from
3 12 gambling games without consideration of any racetrack
3 13 enclosure credit that is credited during that fiscal year.

3 14 b. "Base receipts amount" means the total amount of the
3 15 adjusted gross receipts tax collected by the treasurer of
3 16 state pursuant to section 99F.11 and operating agreement
3 17 consideration collected by the commission for the fiscal year
3 18 beginning July 1, 2002, from taxes imposed and operating
3 19 agreement consideration collected on adjusted gross receipts
3 20 over three million dollars from gambling games.

3 21 c. "Operating agreement consideration" means the
3 22 consideration required to be paid pursuant to an operating
3 23 agreement entered into pursuant to section 99F.4C and
3 24 calculated as provided by this section on adjusted gross
3 25 receipts from gambling games by a licensee authorized to
3 26 conduct gambling games at a racetrack enclosure.

3 27 d. "Racetrack percentage" means, for a racetrack
3 28 enclosure, the percentage calculated by dividing the operating
3 29 agreement consideration amount of the racetrack enclosure by
3 30 the total operating agreement consideration amount for all
3 31 racetrack enclosures.

3 32 2. a. Operating agreement consideration shall be
3 33 calculated based upon adjusted gross receipts received each
3 34 fiscal year from gambling games at racetrack enclosures to
3 35 include an amount equal to five percent on the first one
4 1 million dollars of adjusted gross receipts, an amount equal to
4 2 ten percent on the next two million dollars of adjusted gross
4 3 receipts, and an amount, based on the following percentages
4 4 and credits, on any amount of adjusted gross receipts over
4 5 three million dollars calculated as provided in paragraph "b".

4 6 b. For the fiscal year beginning July 1, 2003, and each
4 7 succeeding fiscal year, thirty percent, subject to a racetrack
4 8 enclosure credit on operating agreement consideration imposed
4 9 in the subsequent fiscal year as calculated pursuant to this
4 10 paragraph. For purposes of this paragraph, the racetrack
4 11 enclosure credit for each racetrack enclosure shall be
4 12 calculated by multiplying the racetrack percentage for that
4 13 racetrack enclosure by the all-racetracks credit amount. The
4 14 all-racetracks credit amount is the lesser of the following:

4 15 (1) One-half of the difference, if positive, between the
4 16 adjusted receipts amount for a fiscal year and the base
4 17 receipts amount.

4 18 (2) The maximum credit amount. The maximum credit amount
4 19 is an amount, for the applicable fiscal year, equal to the
4 20 total, for all racetrack enclosures, of ten percent of
4 21 adjusted gross receipts over three million dollars from
4 22 gambling games from each racetrack enclosure.

4 23 Sec. 3. Section 99F.11, Code 2003, is amended to read as
4 24 follows:

4 25 99F.11 WAGERING TAX == RATE == ALLOCATIONS.

4 26 1. For purposes of this section:

4 27 a. "Adjusted receipts amount" means the total amount of
4 28 the adjusted gross receipts tax collected by the treasurer of
4 29 state and operating agreement consideration that would be
4 30 collected by the commission on adjusted gross receipts over
4 31 three million dollars from gambling games without
4 32 consideration of any racetrack enclosure tax credit that is
4 33 credited during that fiscal year.

4 34 b. "Base receipts amount" means the total amount of the
4 35 adjusted gross receipts tax collected by the treasurer of
5 1 state and operating agreement consideration collected by the
5 2 commission for the fiscal year beginning July 1, 2002, from
5 3 taxes imposed and operating agreement consideration collected
5 4 on adjusted gross receipts over three million dollars from
5 5 gambling games.

5 6 c. "Operating agreement consideration" means the
5 7 consideration required to be paid pursuant to an operating
5 8 agreement entered into pursuant to section 99F.4C and
5 9 calculated as provided by section 99F.4D on adjusted gross
5 10 receipts from gambling games by a licensee authorized to
5 11 conduct gambling games at a racetrack enclosure.

5 12 d. "Racetrack percentage" means, for a racetrack
5 13 enclosure, the percentage calculated by dividing the adjusted
5 14 receipts amount of the racetrack enclosure by the total
5 15 adjusted receipts amount for all racetrack enclosures.

5 16 2. A tax is imposed on the adjusted gross receipts
5 17 received ~~annually~~ each fiscal year from gambling games
5 18 authorized under this chapter at the rate of five percent on
5 19 the first one million dollars of adjusted gross receipts, at
5 20 the rate of ten percent on the next two million dollars of
5 21 adjusted gross receipts, and at the rate of twenty percent on
5 22 any amount of adjusted gross receipts over three million
5 23 dollars.

5 24 3. a. ~~However, beginning January 1, 1997 Notwithstanding~~
5 25 ~~any provision of subsection 2 to the contrary, the tax rate on~~
5 26 ~~any amount of adjusted gross receipts over three million~~
5 27 ~~dollars from gambling games at racetrack enclosures is twenty=~~
5 28 ~~two percent and shall increase by two percent each succeeding~~
5 29 ~~calendar year until the rate is thirty-six percent shall be as~~
5 30 ~~follows:~~

5 31 b. For the fiscal year beginning July 1, 2003, and each
5 32 succeeding fiscal year, thirty percent, subject to a racetrack
5 33 enclosure tax credit on taxes imposed in the subsequent fiscal
5 34 year as calculated pursuant to this paragraph. For purposes
5 35 of this paragraph, the racetrack enclosure tax credit for each
6 1 racetrack enclosure shall be calculated by multiplying the
6 2 racetrack percentage for that racetrack enclosure by the all=
6 3 racetracks tax credit amount. The all-racetracks tax credit
6 4 amount is the lesser of the following:

6 5 (1) One-half of the difference, if positive, between the
6 6 adjusted receipts amount for a fiscal year and the base
6 7 receipts amount.

6 8 (2) The maximum credit amount. The maximum credit amount
6 9 is an amount, for the applicable fiscal year, equal to the
6 10 total, for all racetrack enclosures, of ten percent of
6 11 adjusted gross receipts over three million dollars from
6 12 gambling games from each racetrack enclosure.

6 13 4. The taxes imposed by this section shall be paid by the
6 14 licensee to the treasurer of state within ten days after the
6 15 close of the day when the wagers were made and shall be
6 16 distributed as follows:

6 17 1- a. If the gambling excursion originated at a dock
6 18 located in a city, one-half of one percent of the adjusted
6 19 gross receipts shall be remitted to the treasurer of the city
6 20 in which the dock is located and shall be deposited in the
6 21 general fund of the city. Another one-half of one percent of
6 22 the adjusted gross receipts shall be remitted to the treasurer
6 23 of the county in which the dock is located and shall be
6 24 deposited in the general fund of the county.

6 25 2- b. If the gambling excursion originated at a dock
6 26 located in a part of the county outside a city, one-half of
6 27 one percent of the adjusted gross receipts shall be remitted
6 28 to the treasurer of the county in which the dock is located
6 29 and shall be deposited in the general fund of the county.
6 30 Another one-half of one percent of the adjusted gross receipts
6 31 shall be remitted to the treasurer of the Iowa city nearest to
6 32 where the dock is located and shall be deposited in the
6 33 general fund of the city.

6 34 3- c. Three-tenths of one percent of the adjusted gross
6 35 receipts shall be deposited in the gambling treatment fund
7 1 specified in section 99E.10, subsection 1, paragraph "a".

7 2 4- d. The remaining amount of the adjusted gross receipts
7 3 tax shall be credited to the general fund of the state.

7 4 Sec. 4. EFFECTIVE DATE. This Act, being deemed of
7 5 immediate importance, takes effect upon enactment.

7 6 HF 696

7 7 ec/es/25